### **South Carolina Retirement Systems**

# Average Final Compensation

**Customer Training Module** 

### Disclaimer

THIS PRESENTATION DOES NOT CREATE AN EXPRESS OR IMPLIED CONTRACT OF EMPLOYMENT WITH A MEMBER OF THE SOUTH CAROLINA RETIREMENT SYSTEMS.

This presentation is meant to serve as a guide but does not constitute a binding representation of the South Carolina Retirement Systems. The statutes governing the South Carolina Retirement Systems are found in Title 9 of the South Carolina Code of Laws, and should there be any conflict between this presentation and the statutes or Retirement Systems' policies, the statutes and policies will prevail.

**Employers covered by the South Carolina Retirement Systems are not agents of the Retirement Systems.** 

Duplication of this presentation, either in part or in whole, is forbidden without the express written permission of the South Carolina Retirement Systems.

## Average Final Compensation (SCRS and PORS)

- Average final compensation (AFC) is the 12 highest consecutive quarters of a member's earnable compensation divided by 3.
- The dollar amount of up to 45 days' termination pay for unused annual leave paid at retirement \*may be included before averaging the member's 12 highest consecutive quarters of earnable compensation.
- Elected officials may use 36 consecutive months in place of the 12 highest consecutive quarters.

\*For TERI participation after 7/1/05 see page 6

SC Code of Laws Sections 9-1-10(4) and 9-11-10(7)

## **Earnable Compensation**

- Earnable compensation is a rate of compensation for working one's full, normal working time; not amounts paid on a cash basis.
- When compensation includes maintenance, fees and other things of value, the SC Budget and Control Board shall establish the monetary value of such compensation.
  - Overtime is considered to be earnable compensation
  - Non-recurring bonus payments are not considered earnable compensation
  - Comp time is considered in period in which earned

## Wages Not Subject to Contributions

 Sections 9-1-1020 and 9-1-1180 specifically provide that payments for unused sick leave, single special payments at retirement, bonus and incentive-type payments, or any other payments not considered a part of the regular salary base are not subject to contributions.

If you have any specific questions, please contact us.

### **Annual Leave**

- In accordance with S.C. Code Ann. Section 9-1-10(4) and 9-1-1020, an amount up to and including only 45 days' termination pay for unused annual leave at retirement may be included in the calculation of a member's AFC.
- If a member has received termination pay for unused annual leave on more than one occasion, contributions are deductible on up to and including 45 days' termination pay for unused annual leave for each termination payment for unused annual leave received by the member, except TERI participants with a TERI start date prior to July 1, 2005.
- For TERI retirement dates of 7/1/05 and after, the AFC is recalculated at the end of the TERI period to include applicable payment for unused annual leave at termination.

## **AFC Basic Example**

<b>Quarter</b>	<u>Year</u>	<u>Earnings</u>		
4	2005	10,506		
3	2005	10,506		
2	2005	10,506		
1	2005	10,506	<b>Total Earnings</b>	\$122,824.00
4	2004	10,200	45 Days of Unused AL	+ <u>\$7,273.35</u>
3	2004	10,200	Total	\$130,097.35
2	2004	10,200		
1	2004	10,200		
4	2003	10,000	\$130,097.35 / 3 = \$43,	365.78 AFC
3	2003	10,000		
2	2003	10,000		
1	2003	<u> 10,000</u>		
		\$122.824	LEGEN	D

1st Quarter – Jul, Aug, Sep 2<sup>nd</sup> Quarter – Oct, Nov, Dec 3<sup>rd</sup> Quarter – Jan, Feb, Mar 4th Quarter – Apr, May, Jun

## TERI AFC Example (for TERI Retirement dates 7/1/05 and after)

Quart	<u>er</u> <u>Year</u>	<u>Earnings</u>		
4	2005	10,506	TERI AFC	
3	2005	10,506	<b>Total Earnings</b>	\$122,824
2	2005	10,506	AFC = \$122,824 / 3	\$40,491
1	2005	10,506		
4	2004	10,200		
3	2004	10,200	Post TERI AFC	
2	2004	10,200	<b>Total Earnings</b>	\$122,824
1	2004	10,200	45 days of Annual Leave	e + <u>\$7,273</u>
4	2003	10,000	Total	\$130,097
3	2003	10,000		
2	2003	10,000	AFC = \$130,097 / 3	\$43,365
1	2003	<u>10,000</u>		
			<u>LEGEN</u>	<u>ID</u>
		\$122,824	1 <sup>st</sup> Quarter – Ju	I, Aug, Sep
			2 <sup>nd</sup> Quarter – O	ct, Nov, Dec
			3 <sup>rd</sup> Quarter – Ja	ın, Feb, Mar
			4 <sup>th</sup> Quarter – Ap	or, May, Jun

## **FORMS**

- •Form 6202
  - -Certification of Final Retirement Deductions
- •Form 6203
  - -Certification of Final Retirement Deductions for TERI Program
- •Form 6210
  - -Certification of TERI Annual Leave Payment

## Notes on Completing Form 6202/6203

- Section 1
  - Quarter totals must match quarterly report
- Section 2 Sick Leave
  - Up to 90 days added to service credit (equal to 4.5 months)
- Section 3
  - Last day of earned compensation/active employment
  - Date of termination
  - Date of final pay check
- Section 4 Contract Periods
- Delinquent 6202/6203 forms
- Provide to SCRS within 10 days from issuance of last pay check

(Date)

**FION 1: Final Two Quarters of Active Employment (as they will appear on the Quarterly Reports)** 

STATE, CITY, COUNTY, MUNI

complete this form within 10 days after issuance of the employee's final paycheck. Please *do not estimate* any its. Your receipt of this form indicates *only* that this employee has filed an application. It does not indicate application has been approved.

PAYROLL DEPARTMENT

TO LAST QUARTER

SSN: 000-00-0001 PORS /«APPLID» Emp Code: 000.00 **JANE DOE** Retirement Date: 6/16/2006

Quarter End Date	Period Compensation	Contribution	Contract Length	Months Paid
03/31/2006	\$7,883.62	\$512.44	12	3
<b>QUARTER EARNINGS</b> Quarter End Date	Period Compensation	Contribution	Contract Length	Months Paid
6/30/2006	\$6,757.38	\$439.23	12	3
ent for 25 Annual Days	+ \$4,306.00	\$279.89		
<u>AL</u> LAST QUARTER*  otal Last Quarter listed above	= \$11,063.38 must agree with your final	$= \frac{\$719.12}{Quarterly Report for this}$	s member.	
ΓΙΟΝ 2: Accrued Sick Le	eave at Retirement			
Unused Sick Leave Days. rement, regardless of whether TION 3: Payroll Information	ner the days were paid or		of unused sick leave	e towards service credi
ay of employee earned com f termination (see instructio f final pay check	pensation <u>6/15/2006</u>	Daily ra		29,282.00 \$172.24 26
ast day of earned compensation E		tion are different, pleas I Other: <u>date of retiren</u>		
employee was working oth rate of pay: \$14.35		ork day (i.e. 10, 12, 24 of hours in a shift: <u>12</u>		nter the following:
ΓΙΟΝ 4: School & Higher				
s employee complete the co ow many days was this em our Contract Periods:		year? □ Yes □ days	No	
ar Contract Days	Contract Salary	Additional Payments	Reason for Addition	onal Payment(s)
		\$126.42 OT		
		\$386.57 OT		
			1	

(Business Phone)

(Fax Number)

(Authorized Signature)

(Date)

(Authorized Signature)

SCHOOL DISTRICT EMPLOYEE

complete this form within 10 days after issuance of the employee's final paycheck. Please *do not estimate* nounts. Your receipt of this form indicates *only* that this employee has filed an application. It does not te that the application has been approved.

PAYROLL DEPARTMENT

SSN: 000-00-0000 SCRS /«APPLID» Emp Code: 000.00

JOHN DOE

Retirement Date: 7/1/2006

ΓΙΟΝ	1: Final Two Quart	ters of Active Employme			
_	LAST QUARTER	1			•
	er End Date 8/31/2006	Period Compensation \$10,000.00	Contribution \$625.00	Contract Length	Months Paid
	ARTER EARNINGS or End Date	Period Compensation	Contribution	Contract Length	Months Paid
	6/30/2006	\$11,000.00	\$687.50	12	3
ent fo	or <u>0</u> Annual	+			
	AST QUARTER*				
tal La	ast Quarter listed above	must agree with your final Q	uarterly Report for thi	s member.	
ION	2: Accrued Sick Le	ave at Retirement			
		Member may receive co		ays of unused sick l	eave towards service
t reti	irement, regardless of  3: Payroll Informat	whether the days were pa	id or unpaid.		
t reti	irement, regardless of  3: Payroll Informatemployee earned com	tion at Retirement pensation _5 / 20/2006	id or unpaid.  Budget	ed annual salary <u>\$</u>	40,000.00_
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(Business Phone)

(Fax Number)

Date)

(Authorized Signature)

SCHOOL DISTRICT EMPLOYEE

complete this form within 10 days after issuance of the employee's final paycheck. Please *do not estimate* nounts. Your receipt of this form indicates *only* that this employee has filed an application. It does not te that the application has been approved.

«CONTACTNAME»

SSN: «MBRSSN» «SYSTEMLIT» / «APPLID» Emp Code: «EMPCODE» «FULLNAME» Retirement Date: «DOR»

		«FULLNAME» Retirement Date: «DOR»			
		ters of Active Employme	ent (as they will appe	ar on the Quarterly R	eports)
TO I	AST QUARTER				
	r End Date 31/2006	Period Compensation \$10,000.00	Contribution \$625.00	Contract Length	Months Paid
QUA	RTER EARNINGS				
)uarte	r End Date 6/30/2006	Period Compensation \$11,000.00	Contribution \$687.50	Contract Length	Months Paid
ent fo		+ \$9,473.92	\$592.12		
AL L	AST QUARTER*	= \$20,473.92	= \$1,279.62		
		must agree with your final	Quarterly Report for th	is member.	
	2: Accrued Sick Leader Sick Leave Days.		credit for up to 90 a	lays of unused sick l	eave towards servic
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Unus at reti PION ay of e f termi f final ast day kers' ( emplorate o  PION s emp ow ma	ed Sick Leave Days.  rement, regardless of  3: Payroll Informat mployee earned compination (see instruction pay check  y of earned compensa Compensation Dysee was working othe f pay: \$  4: School & Higher loyee complete the co any days was this empirar the riods:  Contract Days  190	in Member may receive whether the days were pution at Retirement pensation 5 / 20/ 2006 6 / 30/ 2006 6 / 30/ 2006 ation and date of termination and date of termination and at a 7.5 or 8 hour wo Number of the full school yployee compensated?    Contract Salary   S40,000.00	Budge Daily r Paychion are different, plea Other: date of retire rk day (i.e. 10, 12, 24 hours in a shift:	ated annual salary \$\frac{5}{2}\$ ate of pay \$\frac{5}{2}\$ ecks per year ase check reason: ment 4 hour shift), please e	10,000.00 210.53 12 nter the following:

(Business Phone)

(Fax Number)

#### 1 6202 SOUTH CAROLINA RETIREMENT SYSTEMS )7/05 CERTIFICATION OF FINAL RETIREMENT DEDUCTIONS

STATE, CITY, COUNTY, MUNI

SSN: 000-00-0001

SCRS /«APPLID»

RETIREE

complete this form within 10 days after issuance of the employee's final paycheck. Please do not estimate nounts. Your receipt of this form indicates only that this employee has filed an application. It does not te that the application has been approved.

Emp Code: 000.00 JANE DOE Retirement Date: 6/16/2006 ΓΙΟΝ 1: Final Two Quarters of Active Employment (as they will appear on the Quarterly Reports) TO LAST QUARTER Juarter End Date Period Compensation Contribution Contract Length Months Paid 03/31/2006 \$7,883.62 \$492.73 QUARTER EARNINGS Contract Length Juarter End Date Period Compensation Contribution Months Paid \$6,757.38 \$422.34 6/30/2006

\$5,067.90

#### ΓΙΟΝ 2: Accrued Sick Leave at Retirement

(Authorized Signature)

PAYROLL DEPARTMENT

ent for 45 Annual

2 Days

Date)

**Unused Sick Leave Days.** Member may receive credit for up to 90 days of unused sick leave towards service at retirement, regardless of whether the days were paid or unpaid.

\$316.74

ΓΙΟΝ 3: Payroll Informati	ion at Retirement			
ay of employee earned comp	ensation 6/15/200	6 Budgeted	d annual salary	\$29,282.00
f termination (see instruction	s) 6/15/200			\$ <u>112.62</u>
f final pay check 6/22/2006 Paychecks per year 26				
ast day of earned compensativers' Compensation		nation are different, please  Other: date of retirement		_
employee was working othe rate of pay: \$		work day (i.e. 10, 12, 24 her of hours in a shift:	our shift), pleas —	e enter the following:
ΓΙΟΝ 4: School & Higher	Education Employe	es		
s employee complete the cor			lo	_
ow many days was this emp	loyee compensated?	days		
our Contract Periods:				
ar Contract Days	Contract Salary	Additional Payments	Reason for Add	ditional Payment(s)
				•

(Business Phone)

(Fax Number)

#### 6203 SOUTH CAROLINA RETIREMENT SYSTEMS RETIREE )7/05 CERTIFICATION OF FINAL RETIREMENT DEDUCTIONS FOR THE TEACHER AND EMPLOYEE RETENTION INCENTIVE PLAN

SCHOOL DISTRICT EMPLOYEE nployee has indicated his/her intention to participate in the <u>Teacher and Employee Retention Incentive Plan (TERI)</u>. complete this form within 10 days after issuance of the employee's final paycheck as an active employee. Please *do not e* any amounts. Your receipt of this form indicates *only* that this employee has filed an application, not that the titon has been approved. Information provided should be based on work completed prior to the TERI effective date.

SSN: 000-00-000
PAYROLL DEPARTMENT SCRS / APPLID

Emp Code: 000.00

TERI Effective Date: 6/1/2006

#### FION 1: Final Two Quarters of Active Employment (as they will appear on the Quarterly Reports) TO LAST QUARTER Juarter End Date Period Compensation Contribution Contract Length Months Paid 3/31/2006 \$625.00 \$10,000.00 QUARTER Juarter End Date Period Compensation Contribution Contract Length Months Paid 6/30/2006 \$11,000.00 \$687.50 ΓΙΟΝ 2: Accrued Sick Leave at Retirement \_ Unused Sick Leave Days. Member may receive credit for up to 90 days of unused sick leave towards in the calculation of rement benefit, regardless of whether the days were paid or unpaid. This amount must be deducted from the employee's sick ΓΙΟΝ 3: Payroll Information at Retirement 5/31/2006 y of active employment (see instructions) Budgeted annual salary \$ 40,000.00 5/31/2006 termination from active employment final (pre-TERI) paycheck 6/30/2006 Paychecks per year ist day of active employment and date of termination are different, please check reason; ☐ Workers' Compensation ☐ Leave of Absence ☐ Other: ΓΙΟΝ 4: School & Higher Education Employees s employee complete the contract for the full school year prior to Participation in TERI? ☐ Yes ☐ No ow many days was this employee compensated for prior to participation in TERI? days our Contract Periods: Contract Days Contract Salary Additional Payments Reason for Additional Payment(s) \$40,000.00 \$1000.00 190 Coaching 190 \$38,000.00 \$1500.00 Coaching/Homebound 190 \$36,000.00 \$1300.00 Coaching/ADEPT 190 \$34,000.00 \$1100.00 Coaching/Stipend

(Business Phone)

(Fax Number)

(Date)

(Authorized Signature)

#### 6203 SOUTH CAROLINA RETIREMENT SYSTEMS RETIREE )7/05 CERTIFICATION OF FINAL RETIREMENT DEDUCTIONS FOR THE TEACHER AND EMPLOYEE RETENTION INCENTIVE PLAN

STATE, CITY, COUNTY, MUNI nployee has indicated his/her intention to participate in the <u>Teacher and Employee Retention Incentive Plan (TERI)</u>. complete this form within 10 days after issuance of the employee's final paycheck as an active employee. Please *do not* any amounts. Your receipt of this form indicates *only* that this employee has filed an application, not that the tion has been approved. Information provided should be based on work completed <u>prior to the TERI effective date</u>.

SSN: 000-00-0001
PAYROLL DEPARTMENT
SCRS / APPLID
Emp Code: 000.00
JANE DOE

TERI Effective Date: 6/2/2006 FION 1: Final Two Quarters of Active Employment (as they will appear on the Quarterly Reports) TO LAST OUARTER Juarter End Date Period Compensation Contribution Contract Length Months Paid \$625.00 3/31/2006 \$10,000.00 QUARTER Juarter End Date Period Compensation Contribution Contract Length Months Paid 6/30/2006 \$10,000.00 \$625.00 ΓΙΟΝ 2: Accrued Sick Leave at Retirement

\_ Unused Sick Leave Days. Member may receive credit for up to 90 days of <u>unused</u> sick leave towards in the calculation of rement benefit, regardless of whether the days were paid or unpaid. This amount must be deducted from the employee's sick alance.

ΓΙΟΝ 3: Payroll Information at Retirement v of active employment (see instructions) 6/1/2006 Budgeted annual salary \$ 40,000.00 termination from active employment 6/1/2006 final (pre-TERI) paycheck 6/16/2006 Paychecks per year 24 ist day of active employment and date of termination are different, please check reason: ☐ Workers' Compensation ☐ Leave of Absence ☐ Other: ΠΟΝ 4: School & Higher Education Employees s employee complete the contract for the full school year prior to Participation in TERI? ☐ Yes ☐ No ow many days was this employee compensated for prior to participation in TERI? our Contract Periods: Contract Days Contract Salary Additional Payments Reason for Additional Payment(s)

Date) (Authorized Signature) (Business Phone) (Fax Number)

### Form 6210

## Certification of TERI Annual Leave Payment

## Notes on Completing Form 6210

- Section 1
  - Annual leave payment
- Section 2
  - Date of termination
  - Date of final pay check
    - ➤ Please complete this form once the TERI termination date has passed. Member will not receive distribution of accumulated TERI benefits until employer confirms termination date! TERI participants with a TERI start date after 6/30/2005.

#### 1 6210 SOUTH CAROLINA RETIREMENT SYSTEMS LTYPE»

)7/05

CERTIFICATION OF TERI ANNUAL LEAVE PAYMENT «CURDATE» (SCRS ONLY SCHOOL DISTRICT, STATE, CITY, COUNTY EMPLOYEES)

ding to our records the member named below is scheduled to end participation in the TERI program on DATE». Please complete this form within 10 days after issuance of the employee's annual leave eck. Please do not estimate any amounts. The member will not receive a distribution of TERI deferred 's nor a monthly annuity reflecting the inclusion of annual leave until SCRS has received and processed mpleted form.

SSN: 000-00-0001 SCRS / APPLID PAYROLL DEPARTMENT Emp Code: 000.00 JANE DOE

		Retir	ement Date: 6/2/2006
ΓΙΟΝ 1: Annual Lea	ve Information		
Quarter End Date	Unused Annual Leave Days	Payment for Unused Annual Leave	Contributions
06 / 16 / 2006	45	\$ 7,788.46	* \$506.25
TION 2: Final TERI	Payroll Information		
ted annual salary \$ 45	00.000		
/ rate of pay	\$173.08		
er of days in contract o	r normal work year <u>260</u>	0	
f termination 05 /	31 / 2007		
f annual leave payched	ck <u>06 / 16 / 2007</u>		
osition Title BES	T MANAGER		
rate of pay: \$	Numbe	ur work day (i.e. 10, 12, 24 er of hours in a shift:	hour shift), please enter the following
ΓΙΟΝ 3: Certification	n		
(Date)	Authorized Signature)	(Business Pl	none) (Fax Number)
E: CONTRIBUTION R	ATE USED FOR ANNUAL	LEAVE PAYOUT IS 6.5%	(0.0650)
E: MUST HAVE ONE	OR THE OTHER COMPLE	TED ABOVE.	

## School Districts & Higher Education

Contract Payout

Necessity and Calculation

## **Contract Payout Options**

 Lump sum salary payment upon the member's retirement/TERI start date

- Employer should issue normal paycheck until contributions are deducted on all earnings prior to retirement
  - This option may require the employer to split a payroll into active and retiree wage/contributions

## **Contract Payout Example**

- Contract payout for a teacher with a January 1, 2006, date of retirement
- Teacher has worked 95 days of a 190 day contract

Year	Salary	<b>Contract Days</b>	Daily Rate	Days Earned	Compensation
2004-05	42,664.00	190.00	224.55	95.00	21,332.00

### **Contract Payout Example Continued**

Compensation for which contributions are due - \$21,332

Month	Pay Checks Issued thru DOR
August	\$3,555.33
September	\$3,555.33
October	\$3,555.33
November	\$3,555.33
December	\$3,555.33
Total	\$17,776.65

Although paychecks may only have been issued totaling \$17,776, contributions are due on an additional \$3,555.33 because the member has fulfilled 50% of contract terms.

(\$21,322 - \$17,776.65 = \$3,555.33)

## Questions?